

G-008/GR-93-1090 NOTICE AND ORDER FOR HEARING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of the Application of Minnegasco, a Division of Arkla, Inc. for Authority to Increase its Rates for Natural Gas Service in the State of Minnesota	ISSUE DATE: January 26, 1994 DOCKET NO. G-008/GR-93-1090 NOTICE AND ORDER FOR HEARING
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PROCEDURAL HISTORY

I. Proceedings To Date

On November 5, 1993, Minnegasco, a Division of Arkla, Inc. (Minnegasco or the Company) filed a petition seeking a general rate increase of \$22,772,000 or approximately 3.6 percent, effective January 4, 1994. Knowing that the Commission generally suspends proposed rate schedules and orders a contested case proceeding on those proposals, the Company also proposed an interim rate schedule to be effective on January 4, 1994. The interim rates would increase present revenues by \$16,864,000 or approximately 2.67 percent.

On November 8, 1993, the Commission issued a memorandum asking interested persons to file comments on whether the Commission should accept the filing as substantially in compliance with applicable filing requirements and whether the matter should be referred to the Office of Administrative Hearings for contested case proceedings.

On November 19, 1993, the Minnesota Department of Public Service (the Department) filed its comments recommending that the Commission reject the Company's filing as incomplete.

On November 22, 1993, Minnegasco filed schedules showing changes to filed expense amounts that resulted from the Commission's decision regarding certain accounting issues in the Company's previous rate case, Docket No. G-008/GR-92-400.

On November 30, 1993, Minnegasco filed a Reply to the Department's Comments of November 19, 1993.

On December 9, 1993, the day the Commission met to consider the adequacy of Minnegasco's filing, the Company filed a supplement to its case.

On December 14, 1993, the Department filed its Comments on the Company's December 9, 1993 supplemental filing.

On December 16, 1993, the Commission issued its ORDER FINDING FILING INCOMPLETE based on its December 9, 1993 review of the matter. In its Order, the Commission noted that the Company's December 9, 1993 filing was untimely filed for consideration on that day and that without the supplement its filing was incomplete. The Commission did not speculate on the effect of the supplemental filing and reserved review of that filing for a later date.

On December 21, 1993, the Commission met and took up this matter once again.

On January 26, 1994, the Commission issued its ORDER ACCEPTING FILING AND SUSPENDING RATES in this matter.

FINDINGS AND CONCLUSIONS

II. Jurisdiction and Referral for Contested Case Proceedings

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16 (1992). If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2 (1992).

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

III. Proposed Rates

The Company proposes rate increases by customer class as follows:

Minnegasco-Northern

Customer Class	Test Year Revenue @ Present Rates (in \$000s)	Change from Present Rates (in \$000s)	Change from Present Rates (in %)
Residential	\$ 362,795	\$ 18,227	5.0%
Commercial & Industrial	183,602	1,583	.9%
Large Volume C&I	1,437	(66)	(4.6%)
Small Dual Fuel	45,458	2,365	5.2%
Large Dual Fuel	<u>36,694</u>	<u>545</u>	<u>1.5%</u>
totals	\$ 629,986	\$ 22,654	3.6%

Minnegasco-Viking

Customer Class	Test Year Revenue @ Present Rates (in \$000s)	Change from Present Rates (in \$000s)	Change from Present Rates (in %)
Residential	\$ 426	\$ 32	7.5%
Commercial & Industrial	257	22	8.6%
Small Dual Fuel	101	10	9.9%
Large Dual Fuel	<u>21</u>	<u>1</u>	<u>4.8%</u>
totals	\$ 805	\$ 65	8.1%

IV. Issues to be Addressed

Parties shall address the following issues in the course of the contested case proceedings ordered herein:

- cost allocation between regulated and non-regulated services*;
- the used and usefulness of the combined peak-shaving facilities, considering additional alternative capacity available or acquired through the recent exchange of properties with Midwest Gas;
- the request to consolidate rates and PGAs and the impact on current Minnegasco customers;
- the recovery of the acquisition adjustment and if so

from which customers*;

- the Company's capital structure and the cost of capital*;
- the level of manufactured gas plant (MGP) clean-up costs;
- compressed natural gas (CNG) vehicle assets and expenses;
- incentive compensation*; and
- external funding of post-retirement benefits other than pensions (PBOPS).

The parties may also raise and address other issues relevant to the Company's proposed rate increase. In Minnegasco's recent rate case, many important issues were reviewed only in the context of a proposed Settlement. The Commission would prefer to review several of these issues totally on their own merits in this rate case. Therefore, the Commission will request that the items in the foregoing list that are marked with an asterisk (*) not be part of any proposed Settlement in this matter.

V. Procedural Outline

A. Administrative Law Judge

The Administrative Law Judge assigned to this case is Richard C. Luis. His address and telephone number are as follows: Office of Administrative Hearings, Suite 1700, 100 Washington Square, Minneapolis, Minnesota 55401-2138; (612) 349-2542.

B. Hearing Procedure

Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62 (1992); the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7830.0100 to 7830.4400. Copies of these rules and statutes may be purchased from the Print Communications Division of the Department of Administration, 117 University Avenue, St. Paul, Minnesota 55155; (612) 297-3000.

Under these rules parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain

subpoenas to compel the attendance of witnesses and the production of documents.

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with the Administrative Law Judge within 20 days of the date of this Notice and Order for Hearing. Failure to appear at the hearing may result in facts and issues being resolved against the party who fails to appear.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions. They should take note that any material introduced into evidence may become public data unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2 (1992).

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Margie Hendriksen, Special Assistant Attorney General, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101-2147, (612) 296-0410.

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

C. Intervention

Persons wishing to become formal parties to this proceeding shall promptly file petitions to intervene with the Administrative Law Judge. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

D. Prehearing Conference

A prehearing conference will be held in this matter on Tuesday, February 1, 1994 at 9:30 a.m. in the Large Hearing Room, Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul, Minnesota 55101. Persons participating in the prehearing conference should be prepared to discuss the standard issues of time frames, scheduling, discovery procedures, and similar issues.

E. Time Constraints

The Commission is required to act on the Company's filing within ten months, or the proposed rates are deemed approved. Minn. Stat. § 216B.16, subd. 2 (1992). This ten-month period can be extended for two months, if the parties submit a settlement which is rejected by the Commission. Minn. Stat. § 216B.16, subd. 2 (1992).

The Commission asks the Office of Administrative Hearings to conduct contested case proceedings in light of these time

constraints and requests that the Administrative Law Judge submit his final report by August 8, 1994, to allow the Commission adequate opportunity for thorough consideration of the case.

VI. Application of Ethics in Government Act

The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 et seq. (1992), apply to general rate cases. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Minnesota Ethical Practices Board, telephone number (612) 296-1720, with any questions.

VII. Ex Parte Communications

Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

ORDER

1. A contested case proceeding shall be held on the Company's proposed rate increase. The proceeding shall begin with a Prehearing Conference on Tuesday, February 1, 1994 at 9:30 a.m. in the Commission's Large Hearing Room, 121 7th Place East, Suite 350, St. Paul, MN 55401-2138.
2. This Order will be served on the Company, which shall mail copies of the Order to all municipalities and counties in its service area and to such other persons as the Department of Public Service may request.
3. Public hearings shall be held in this matter at locations within the service area of the Company.
4. The Company shall give the following notices of the evidentiary and public hearings:
 - a) Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings.
 - b) Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.

- c) Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which heading shall appear in bold face type no smaller than 30 points.
 - d) The above notices shall contain the information required in Minn. Rules, part 7830.3200, subp. 2. The Company shall submit proposed notices to the Executive Secretary for approval prior to publication or service.
5. The Commission authorizes the Executive Secretary to enter Orders on behalf of the Commission varying time requirements for the filing of pleadings and other documents and determining the conduct of this proceeding, according to the standards set forth in Minn. Rules, part 7830.4400. Any party adversely affected by such an Order may file a motion for reconsideration, vacation, or modification, no later than ten days from the date of its entry or one day before any filing deadline or occurrence of an act directed in such Order. Such motions will be heard by the Commission.
6. Parties are requested not to include the following issues in any Settlement proposed in this matter:
- cost allocation between regulated and non-regulated services;
 - the recovery of the acquisition adjustment and if so from which customers;
 - the Company's capital structure and the cost of capital; and
 - incentive compensation.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
Suite 1700
100 Washington Square
Minneapolis, Minnesota 55401-2138

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2145

In the Matter of the
Application of Northern States
Power Company for Authority to
Increase Its Rates for
Electric Service in the State
of Minnesota

MPUC Docket No. G-008/GR-93-
1090

OAH Docket No.

NOTICE OF APPEARANCE

Name and Telephone Number of Administrative Law Judge:

Richard C. Luis
(612) 349-2542

TO THE ADMINISTRATIVE LAW JUDGE:

You are advised that the party named below will appear at the
above hearing.

NAME OF PARTY:

ADDRESS:

TELEPHONE NUMBER:

PARTY'S ATTORNEY OR OTHER REPRESENTATIVE:

OFFICE ADDRESS:

TELEPHONE NUMBER:

SIGNATURE OF PARTY OR ATTORNEY: _____

DATE: _____